

PayPal

# How payments impact the retail customer experience

The new era of shoppers



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Great products at great prices are critical in retail, but experience is becoming a major differentiator.

Shoppers want seamless journeys across every channel, and payments play a critical role. More than a transaction, they're a means to reduce friction, build trust, and turn intent into loyalty.

And with customer expectations shifting fast due to economic pressures and increased demand for convenience and personalisation, the retail sector itself is also changing.

**"Retailers should learn to meet their customers where they are – and forge connections in new and innovative ways."<sup>1</sup>**





# What's changing in retail?

UK consumer confidence is gradually improving, with inflation stabilising around 2.75% and interest rates expected to decrease before the end of 2025.<sup>2</sup>

Economic pressure and shifting spending habits are redefining the rules of UK retail. Growth is still forecast, but it comes with tighter margins, new payment preferences, and a customer base that shops across channels without distinction.

**Of 43 leading UK retailers interviewed by Retail Week, no retailer expected sales to drop year on year.<sup>3</sup>**

## Customers want a unified experience

Shoppers expect a seamless, connected experience, wherever they choose to buy or browse. Retailers that can recognise the same customer across every channel (both physical and digital) and make their journey seamless from start to finish, stand to win big.

Leaders in unified commerce report:

- 24% higher customer satisfaction<sup>4</sup>
- 31% lower fulfilment costs<sup>4</sup>

<sup>2</sup> NatWest, '2025 Retail & Leisure Outlook: Key trends', 2025. Available at: <https://www.natwest.com/business/insights/sector-trends/retail-and-leisure/2025-retail-leisure-outlook-key-trends.html> (Accessed: August 2025)

<sup>3</sup> Retail Week, 'Retail Week 2025 report', 2025. Available at: <https://reports.retail-week.com/retail-2025/index.html> (Accessed: August 2025)

<sup>4</sup> nShift, 'What's really shaping ecommerce in 2025? A mid-year reality check for European retail & logistics', 2025. Available at: <https://nshift.com/blog/whats-really-shaping-ecommerce-in-2025-a-mid-year-reality-check-for-european-retail-logistics> (Accessed: August 2025)





## Digital wallets are on the rise

Convenience, security, and flexibility now drive payment choice, and digital wallets are fast becoming the go-to option across channels. When retailers fail to meet this expectation, they risk losing customers at the moment that matters most: checkout.

**Digital wallets are projected to be the leading payment method globally, with spending expected to exceed **\$28 trillion by 2030**.**<sup>5</sup>

**In the UK, e-commerce made up around 27% of all retail sales in 2024, with projections pointing to an increase to **32% by 2029**.**<sup>6</sup>

## Create a smarter payments strategy to get ahead

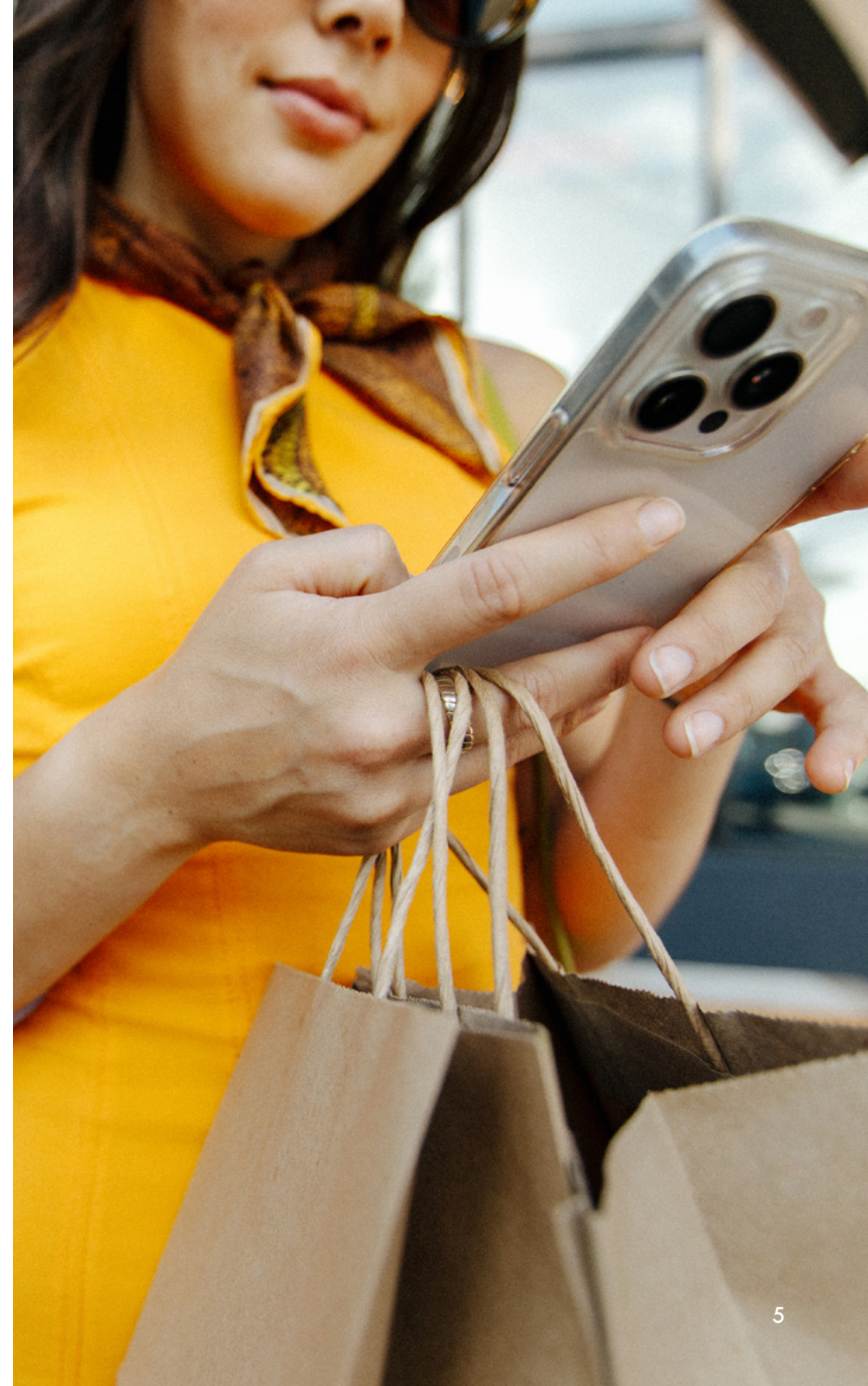
Rising labour costs, tariffs, and supply chain pressures are squeezing margins. Payments can be a powerful lever to ease that pressure, reducing costs for retailers while improving the customer experience.

A smarter payment strategy can:

- Cut processing costs
- Improve authorisation rates
- Reduce cart abandonment
- Build customer loyalty

<sup>5</sup> Worldpay, 'Worldpay Global Payments Report 2024: Digital Wallet Maturity Ushers in a Golden Age of Payments', 2024. Available at: <https://worldpay.com/en/global-payments-report> (Accessed: August 2025)

<sup>6</sup> Forrester, 'Forrester: European E-Commerce Sales To Surpass €565 Billion By 2029', 2025. Available at: <https://www.forrester.com/press-newsroom/forrester-european-e-commerce-sales-to-surpass-e565-billion-by-2029/> (Accessed: August 2025)



# Expected barriers in retail transformation

Overcoming barriers is critical for retailers to adapt and move forward with confidence. Disconnected systems, rising costs, and outdated technology make it hard for retailers to deliver the seamless experiences customers expect.

## A fragmented customer experience

Disconnected systems often create inconsistent journeys across channels, which can lead to:

- Disjointed customer data
- Inconsistent payment options
- Higher cart abandonment
- Difficulty recognising returning customers

## Rising costs and complexity

In the UK, card processing authorisation rates for speciality retail purchases through PayPal Checkout are **7 percentage points** higher than the market average.<sup>7</sup>

Managing payments has become increasingly expensive and complicated. Retailers now have to handle:

- Multiple providers, adding to operational overheads
- Card processing fees, which continue to climb
- Fraud and chargeback losses cutting into margins
- Reconciliation processes draining resources

## Technology integration hurdles

Retailers cannot innovate at speed when legacy infrastructure creates inefficiencies. Many retailers use:

- Modern payment tools that don't integrate easily with older POS systems
- Quick fixes that can create costly technical debt and potentially hinder operational efficiency
- Manual processes that absorb valuable employee time

<sup>7</sup> PayPal internal data, Q3, 2024



# How payments are transforming retail

It's not all doom and gloom. With the right strategy, payments can help streamline operations, unlock customer insights, and strengthen fraud protection, turning a cost centre into a competitive advantage.

## Creating unified payment experiences

Consistency across every channel is essential. Streamlined checkouts can help reduce cart abandonment, while options like click-and-collect, contactless, and mobile checkout ensure customers can shop the way they prefer.

## Leveraging data for greater payment insights

Every transaction has the potential to generate insights. Retailers that harness payment data can help reduce processing costs, improve approval rates, and better understand customer shopping behaviour.

## Strengthening fraud prevention

Payment fraud remains a costly challenge, but the right tools make prevention seamless. Real-time transaction monitoring and secure data protection can help stop fraudulent payments without adding friction, safeguarding revenue while protecting customer trust.



# How should retailers move forward?

Knowing where to focus your payment strategy for the biggest impact is key. Here are **four core areas** to consider.

## 1. Are you balancing physical and digital investment?

Physical stores remain central to retail, even as digital influence grows. To bridge the two, invest in technologies that connect experiences across channels:

- Click-and-collect services
- In-store mobile checkout
- Unified inventory systems

## 2. Can you automate to drive efficiency?

While labour, freight, and operating costs continue to climb, automation in payments and operations can relieve pressure by:

- Streamlining reconciliation
- Reducing manual errors
- Freeing staff for higher-value work



## 3. Where could you capture alternative revenue streams?

The strongest retailers are building new revenue streams beyond transactions. For example, payments can unlock value through:

- Retail media networks
- Loyalty programs
- Targeted offers

## 4. How do you cater to customer demographics and choice?

Polarised consumer behaviour is shaping a two-speed market, and payment strategies must cater to both ends, offering flexibility, security, and choice that meet diverse expectations.

- Affluent shoppers are willing to pay more for premium, seamless experiences<sup>8</sup>
- Value-conscious consumers prioritise essentials and budget management<sup>8</sup>

<sup>8</sup> Nielsen, 'Nielsen IQ, The Changing Retail Landscape, 2025'. Available at: <https://nielseniq.com/global/en/insights/analysis/2025/the-changing-retail-landscape/?ref=massmarketretailers.com#full-article> (Accessed: August 2025)



# The results of smarter retail payments

When payments are treated as a strategic asset, the results speak for themselves.

## Increased operational efficiency

Smarter payment systems cut costs and free up resources. Optimised routing helps reduce processing fees, while automated reconciliation shortens reporting cycles and limits manual intervention. With fewer payment-related service queries, employees can focus on higher-value tasks, driving efficiency across operations without compromising customer experience.

## Revenue growth

**Globally, retail merchants using Pay Later see average order values 78% higher than standard PayPal transactions.<sup>9</sup>**

A strong payment strategy feeds directly into top-line growth. Higher authorisation rates mean more sales completed, while flexible options like Buy Now Pay Later lift average order values. Removing friction in cross-border transactions also unlocks international demand, helping retailers expand reach and capture new revenue streams.



## Positive customer experience

Streamlined checkouts help reduce cart abandonment, while digital wallets encourage repeat purchases through speed and convenience. In-store, integrated payment solutions shorten queues and enable faster transactions, creating the kind of frictionless experience that keeps customers coming back time and time again.



# Make payments your competitive advantage

Payments influence every part of the retail experience, from cutting costs to building customer loyalty. For UK retailers under pressure from rising costs and shifting consumer behaviours, the right partner can simplify complexity and deliver consistent experiences across channels.

**PayPal Open** provides that foundation. With one platform, you can offer wallets, Pay Later\*\*, and a wide choice of local and cross-border payments, reducing friction while navigating compliance. Low developer lift and fast deployment help keep costs down, while PayPal's Fraud Protection\*\*\* and trusted brand meet UK consumers' demand for transparency and security.

**PayPal users buy 19% more frequently from retail large enterprise merchants than other typical checkout buyers<sup>10</sup>**

Every smooth, secure payment is another reason for a customer to return, and in retail, repeat business is everything.

**Ready to talk about how PayPal Open can help you cut costs, boost conversion, and build loyalty across every channel?**

**Get in touch**

<sup>10</sup> Nielsen, commissioned by PayPal, Nielsen Behavioral Panel of UK with 142K large enterprise desktop purchase transactions, from 5K consumers, between July 2022-June 2023.

\* Retail include multcategory & specialty merchants excludes Amazon and eBay.

Typical checkout includes credit/debit/prepaid cards, digital wallets, BNPL brands and others.

\*\* Pay Later: Availability subject to merchant status, sector and integration. Consumer eligibility subject to status and approval.

See relevant product terms for more details.

\*\*\* Fraud Protection: Terms and exclusions apply to the Fraud Protection tool. Fraud Protection is available for accounts enrolled in Advanced Credit and Debit Card Payments. [See terms.](#)

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